# TOWN OF FOUNTAIN HILLS BUDGET REPORT – JANUARY 2011





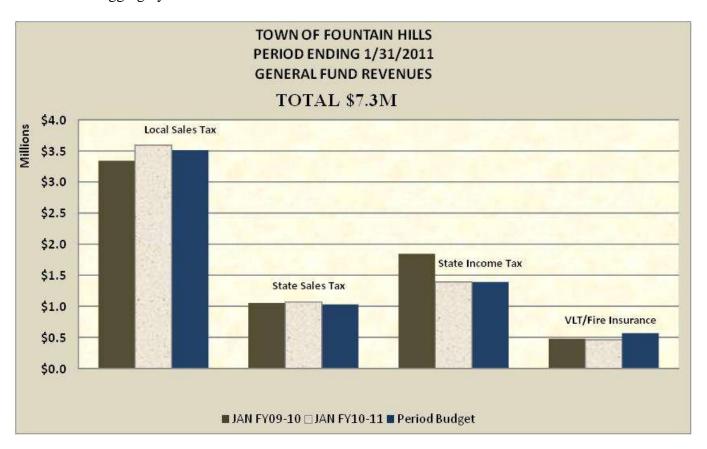
# **General Fund Revenues**

#### **General Fund Revenues**

For the fiscal period ending January 31, 2011 (seven months), General Fund Revenues were at 99% of budget as summarized below:

	January FY2010-11 Budget	January FY2010-11 Actual	YTD to Budget	Annual Estimate
General Fund	\$7,452,080	\$7,269,771	99%	\$12,548,768

The four revenues in the chart below represent 90% of General Fund revenues, and as such, provide key indicators of the Town's overall economic condition and performance. Local sales tax collections continue to show signs of economic recovery with a 8% increase over the same period last year (excluding construction activity). State sales taxes have reached the same level as last fiscal year and appear to show a sustained sign of a recovery. Residential construction (permit) revenues continue to lag compared to last year and projections (20% of the first half of the fiscal year budget). Vehicle license taxes are also lagging compared to budget, and are 3% less than the same period last fiscal year; this revenue source is derived from vehicle registrations. Fees for services are at 100% of the six month budget, however, fines and forfeitures are lagging by about 25%.



#### **State Shared Revenues**

State Shared Revenues represent a distribution of the State income, sales and vehicle licenses taxes returned to the Town based on its population in relation to the total population of all incorporated cities and towns. The income tax funds are distributed from tax collections from two years prior to the fiscal year in which the Town receives the funds. Sales taxes are distributed to cities and towns three months after the actual sales activity occurs. These revenues are distributed monthly through a distribution from the State Treasurer's Office. The fiscal year revenues from these categories total \$2,917,281 which is \$455,995 or 14% less than last year's distribution - this was anticipated with the decrease in income tax revenue.

	January FY2010-11 Budget	January FY2010-11 Actual	YTD to Budget	Annual Estimate
State Income Tax	\$1,390,794	\$1,390,593	100%	\$2,384,218
State Sales Tax	\$1,053,651	\$1,067,309	104%	\$1,765,065
Vehicle License Fees	\$475,036	\$459,379	81%	\$850,000

#### Local Sales Tax (2.6%)

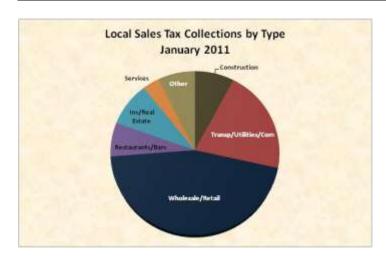
Retail: A retail sales tax of 2.6% is collected for the sale of all tangible personal property including grocery, clothing, home and garden, autos and other related retail activity. This revenue source is sensitive to changes in the economy and can fluctuate from one fiscal year to another. Seven months revenue for this category total \$2,002,249, which is 98% of the period budget.

Restaurants/Bars: Food and liquor sales are taxed at a rate of 2.6% in the Town. This period's revenues for this category total \$295,890, which is 109% of the period budget.

Communication/Utilities/Transportation: Utilities such as Chaparral City Water, cellular telephone companies and Qwest are taxed at a rate of 2.6% in the Town as well as cellular phone charges. Through the first seven months of this fiscal year revenues for this category total \$916,790, which is 112% of the period budget.

Construction Contracting: This revenue is generated from the 2.6% tax on new home and business construction as well as improvements to real property. Like retail sales tax, this revenue source is considered to be volatile as it is strongly impacted by changes in the economy. The largest sources of revenues in this category come from residential homebuilders. This period's revenues for this category total \$342,959, which is 441% of the period budget; 50% of this revenue is dedicated to the Capital Projects Fund for future appropriation.

	Seven Months FY2010-11 Budget	Seven Months FY2010-11 Actual	YTD to Budget	Annual Estimate
Local Sales Tax	\$3,511,970	\$3,593,148	102%	\$6,020,520



Local sales tax makes up 50% of General Fund revenues; for the seven months ending January 31, 2011 collections were \$4.4M for all funds (\$3.6M in the General Fund). Retail and restaurant/bar activities represent 52% of total collections; telecommunications and utilities represent another 21%. Construction revenues collected so far this fiscal year total \$343K, which is 33% less than last fiscal year. Retail sales tax collections increased by 1% over the same period last year; restaurant/bar collections are up 14% from the same period last year.

#### **Building Permit Revenue**

Revenues in this category include both commercial and residential permitting activity with the majority of revenues coming from residential activity. This fiscal period, revenues for this category total \$34,399 or 22% of the first seven months budget, and \$43,374 or 56% less than the same time period last fiscal year. Housing starts for the fiscal period are 3 single family, 1 multi family and 0 commercial.

	Seven Months FY2010-11 Budget	Seven Months FY2010-11 Actual	YTD to Budget	Annual Estimate
Building Permit Fees	\$77,774	\$34,399	38%	\$55,000

#### **Court Revenue**

This category summarizes several revenue funds collected by the court. The court generates various revenues through fines, sanctions and court orders. These fines include criminal, civil, Town code violations and diversion fees for defensive driving school attendees. Reimbursement fees for required background checks, incarceration costs, and Public Defender costs are also collected by the court and included in this category. This fiscal period, revenues for this category total \$111,444, which is \$37,352 less than last year's same fiscal period (26%).

	Seven Months FY2010-11 Budget	Seven Months FY2010-11 Actual	YTD to Budget	Annual Estimate
Court Fines & Fees	\$148,796	\$111,444	75%	\$195,000

# **License Revenue**

Revenues in this category include both business and animal licensing activity with the majority of revenues coming from business licenses. This fiscal period, revenues for this category total \$87,909 or 98% of the fiscal period budget. While business license renewals and new applications are down slightly, the number of animal licenses has increased over the last year.

	Seven Months FY2010-11 Budget	Seven Months FY2010-11 Actual	YTD to Budget	Annual Estimate
Business License Fees	\$63,688	\$61,140	96%	\$109,180
Animal License Fees	\$26,300	\$26,769	102%	\$45,088



# **General Fund Expenditures**

## **General Fund Expenditures**

The General Fund accounts for most of the day to day operations of the Town, including Fire Department, Law Enforcement, Development Services, Community Services, Court, Council and Administrative functions. At the end of seven months 94% of the budget was expended.

Expenditures by Function	Seven Months FY2010-11 Budget	Seven Months FY2010-11 Actual	YTD to Budget	Annual Estimate
Salaries & Benefits	\$2,029,654	\$1,966,595	97%	\$3,479,407
Contractual Services	\$4,104,145	\$4,066,013	99%	\$6,983,673
Services & Supplies	\$731,990	\$606,674	83%	\$1,254,360
Internal Service Charges to Other Funds	\$94,020	\$169,076	180%	\$157,927
Transfers and Other	\$410,634	\$429,456	105%	\$759,094
TOTAL	\$7,370,442	\$7,237,814	98%	\$12,635,044

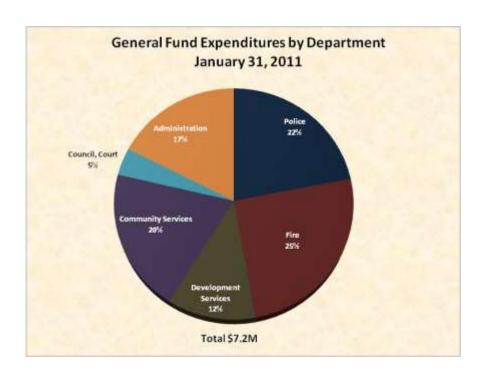
- Salaries and benefits represent less than one-third (27%) of the total General Fund operating budget. It is not anticipated that any staff reductions will be necessary this fiscal year with the current economic recession the prior years' reduction in force (RIF) resulted in cumulative savings into the current fiscal year.
- Contractual services represents 56% of the General Fund budget and includes contracts for law enforcement (Maricopa County Sheriff's Office) and fire and emergency medical services (Rural Metro). The Town utilizes contracts for specialized or one-time services that do not require the addition of full time staff.
- Services and Supplies represents 8% of the total General Fund operating budget and includes items such as utilities, maintenance and repair, office supplies, insurance, software, etc. Expenditures are being monitored in order to avoid deficit spending.
- Transfers were made to the Vehicle Replacement Fund (VRF) for future scheduled replacement of vehicles and contingency.
- Transfers were made from the General Fund (Community Center) to the Debt Service Fund for the semi-annual bond repayment due in December (\$387,000 annually).
- Other includes capital expenditures from the General Fund (AED's for emergency medical personnel for example).

#### **Department highlights:**

Expenditures by Department	Seven Months FY2010-11 Budget	Seven Months FY2010-11 Actual	YTD to Budget	Annual Estimate
Police	\$1,605,151	\$1,585,504	98.8%	\$2,751,687
Fire & Emergency Medical Services	\$1,786,406	\$1,828,279	102.3%	\$3,062,411
Development Services	\$908,575	\$843,544	92.8%	\$1,557,557
Community Services	\$1,354,634	\$1,436,556	106%	\$2,322,230
Mayor & Town Council	\$288,002	\$277,286	96.3%	\$493,718
Administrative Services	\$1,427,674	\$1,266,645	88.7%	\$2,447,441
TOTAL	\$7,370,442	\$7,237,814	98.2%	\$12,635,044

<sup>\*</sup>Revised budget

- Law Enforcement represents 23% of the General Fund operating and in addition to the contract with Maricopa County Sheriff's Office includes costs for jails incarcerate fees, which are costs for holding individuals at the jails and billed by Maricopa County. The Town also has a contract with Maricopa County for animal control and shelter services that is included within the Law Enforcement budget.
- Fire & Emergency Medical Services represents 25% of the General Fund operating budget and includes the contract with Rural Metro for fire and emergency medical services; the department also includes expenditures for maintenance of the fleet, fire stations and equipment.
- Development Services (13% of General Fund expenditures) includes programs such as public works, engineering, traffic and capital projects, open space maintenance, stormwater management, and facilities maintenance. Divisions included in Development Services are Planning, Zoning, Code Enforcement, Environmental, Facilities Maintenance, Building Safety, and Mapping & Graphics.
- Community Services (20% of General Fund expenditures) includes the Town's park system (Fountain Park, Golden Eagle Park, Four Peaks Neighborhood Park, and Desert Vista Neighborhood Park), recreation programs for youth, adults and seniors. The Community Center serves the community as a meeting or special event location as well as daytime activities for Seniors. This department includes the cost of the annual debt service payment (\$387,000) that has been transferred to the Debt Service Fund each year to cover the semi-annual payments in December and June.
- Administrative Services (19% of General Fund expenditures) includes the Town Clerk, Town Manager, Finance, Human Resources, Volunteer Program, Economic Development, Information Technology and Customer Service and represents 19% of the General Fund operating budget. The department is responsible for business recruitment and retention, Town Manager activities, all licensing activity (business, animal, liquor), provides customer service, manages audits, public meetings, Channel 11, Town website, elections, Town Attorney and Town Prosecutor, budget and financial reporting, etc.



# **Other Funds:**

Streets
Excise Tax (Economic
Development)
Special Revenue (Grants)
Development Fees
Capital Projects



## **Highway User Revenue Fund (HURF) – Streets**

	Seven Months FY2010-11 Budget	Seven Months FY2010-11 Actual	YTD to Budget	Annual Estimate
Revenues	\$780,844	\$811,106	104%	\$1,338,590

This fund supports most of the Town's street and traffic operations and is managed by the Development Services Department. The fund is primarily supported by the State Highway User Revenue Fund (99%) and from payments for construction in the rights of way (in lieu payments). HURF revenues are distributed partially on a population formula and partially on the county of origin for gasoline sales. There is a State constitutional restriction that these funds be used solely for street and highway purposes. Year end revenues in the HURF fund are projected to be \$1,338,590, which is 14% less than last fiscal year.

HURF Expe	HURF Expenditures by Program - Period Ending 1/31/2011						
Expenditures by Program	January FY2010-11 Budget	January FY2010-11 Actual	YTD to Budget	Annual Estimate			
Administration	\$105,161	\$100,615	95.7%	\$180,276			
Adopt A Street	\$11,269	\$10,715	95.1%	\$19,319			
Legal Services	\$12,483	\$14,105	113.0%	\$21,400			
Open Space	\$173,148	\$189,347	109.4%	\$296,825			
Pavement Management	\$57,195	\$33,123	57.9%	\$98,049			
Street Signs	\$62,029	\$54,760	88.3%	\$106,336			
Street Sweeping	\$120,180	\$71,351	59.4%	\$206,023			
Traffic Management	\$56,844	\$53,919	94.9%	\$97,446			
Traffic Signals	\$97,071	\$69,619	71.7%	\$166,407			
Vehicle Maintenance	\$53,743	\$51,540	95.9%	\$92,131			
Grand Total HURF	\$749,124	\$649,094	86.6%	\$1,284,212			

- The Administrative program for the Streets division includes activities that are not directly related to a program, for example overhead items such as insurance, fuel, utilities, etc.)
- Open Space program includes maintenance of the medians; the largest component of this category is the contract for landscaping (\$134,160).
- Pavement Management program includes personnel costs related to road maintenance in addition to any contribution to the Capital Projects Fund for major road projects such as slurry seal \$20,000 is all that is available in FY10-11 for the transfer.
- Street Signs program includes personnel and maintenance costs for the Town's 6,800 street signs.
- Street Sweeping program major expenditures are for personnel costs and maintenance/fuel for operating the Town's two street sweepers. Arterial streets are swept every two weeks and residential streets every eight weeks.
- Traffic Signals program includes personnel and electric costs for the Town's 13 Traffic signals. Costs include hardware and programs for maintenance and synchronization of the signals.
- Vehicle Maintenance program includes personnel as well as costs to maintain the Town's fleet of 50 vehicles and heavy equipment. The largest cost is for the transfer of annual depreciation to the Vehicle Replacement Fund (\$79,876).

# **Excise Tax Fund – Economic Development**

	Seven Months FY2010-11 Budget	Seven Months FY2010-11 Actual	YTD to Budget	Annual Estimate
Revenues	\$157,867	\$179,146	114%	\$270,629

This is a separate operating fund from the General Fund and supports the Town's downtown economic development and business retention programs. This fund is supported by a portion of the local sales (excise) tax (.1% of the 2.6%).

FY2010-11 Expenditures by Category - Economic Development Fund					
	January FY2010-11 Budget	January FY2010-11 Actual	% of Budget	Annual Estimate	
Salaries and Benefits	\$31,917	\$33,523	105.0%	\$54,714	
Supplies and Services	\$10,368	\$6,592	63.6%	\$17,775	
Contractual Services	\$72,651	\$23,575	32.4%	\$124,545	
Internal Services	\$1,556	\$346	22.2%	\$2,668	
Other	\$217,744	\$12,404	5.7%	\$373,275	
Grand Total all Funds	\$334,236	\$76,440	22.9%	\$572,976	

- Salaries and benefits, which represent 10% of the total Economic Development operating budget, are at 105% of budget (overage is due to timing but will be within budget by year end). A percentage of the Economic Development Administrator's salary and benefits are allocated to this fund; the remainder is paid through the General Fund.
- Contractual services represent 31% of the budget and include contracts for downtown holiday lighting, marketing, downtown parking study, highway signage and professional services for the Lakeside district.
- Services and Supplies, which represents 9% of the total operating budget, are at 63% of budget and include items such as training, publications, and office supplies.
- Other includes transfers to the Capital Projects Fund for contingency if an opportunity to provide an incentive to a developer arises (would require Council approval) as well as the expenditure for the highway signage.

# **Development Fees**

This is a restricted fund with revenues paid by developers at the time of new residential and commercial construction permits. The lack of permit activity results in less development fees collected. There were no expenditures projected for the current fiscal year from development fees.

FY2010-11 Revenues by Category - Development Fees				
	January FY2009-10	January FY2010-11	Annual Budget	% of Budget
Law Enforcement	\$3,931	\$2,066	\$7,980	25.9%
Streets	\$8,945	\$5,095	\$48,775	10.4%
Parks	\$8,996	\$4,980	\$7,425	67.1%
Open Space	\$4,297	\$3,622	\$4,835	74.9%
General Government	\$7,128	\$4,033	\$16,910	23.8%
Library	\$1,477	\$747	\$875	85.4%
Fire	\$902	\$467	\$1,795	26.0%
Grand Total All Funds	\$35,677	\$21,011	\$88,595	23.7%

FY2010-11 Expenditures by Category - Development Fees				
	January FY2009-10	January FY2010-11	Annual Budget	% of Budget
Law Enforcement	\$384	\$0	\$0	0.0%
Streets	\$143,466	\$0	\$0	0.0%
Parks	\$1,151	\$0	\$0	0.0%
Open Space	\$682	\$0	\$0	0.0%
General Government	\$767	\$0	\$0	0.0%
Library	\$128	\$0	\$0	0.0%
Fire	\$85	\$0	\$0	0.0%
Grand Total All Funds	\$146,663	\$0	\$0	0.0%

# **Capital Projects**

	Annual FY2010-11	Seven Months FY2010-11	YTD to	Annual
Revenue	Budget	Actual	Budget	Estimate
Construction Sales Tax	\$66,678	\$171,479	258%	\$350,000
Grants	\$4,447,451	\$55,664	2%	\$500,000
Interest	\$300	\$7,499	250%	\$10,000
TOTAL	\$4,514,429	\$234,643	6%	\$860,000

	Annual FY2010-11	Seven Months FY2010-11	YTD to	Annual
Expenditures	Budget	Actual	Budget	Estimate
Downtown Improvements	\$570,000	\$0	0%	\$570,000
Street Projects	\$5,507,493	\$366,941	7%	\$5,507,493
Traffic Signals	\$148,800	\$128,704	86%	\$148,800
Drainage	\$0	\$0	0%	\$0
General Government	\$90,000	\$0	0%	\$90,000
Fire & Emergency	\$66,000	\$0	0%	\$66,000
Contingency	\$200,572	\$29,637	15%	\$200,572
TOTAL	\$6,582,865	\$525,012	8%	\$6,582,865

#### Fund Balance as of September 30, 2010

The Town has adopted financial policies that establish a level of reserves (fund balance) that provide future financial stability for the Town. The policy requires that the Town set aside designated unreserved funds of a minimum 10% of average revenues, reserved funds of 20% of average revenues and a Rainy Day Fund of \$1.3M. The reserved funds are not available for appropriation. When reserves exceed policy requirements the surplus is transferred at year-end to the Capital Projects Fund for future appropriation (approximately \$117,000 for FY10).

The following table is a summary by fund of all fund balances as of January 31, 2011; each fund should be viewed individually and balances cannot be transferred between the funds. The fund balances will change each month as revenues and expenditures are recorded.

# Fund Balances as of 1/31/2011

General Fund	\$5,440,784
HURF	\$332,037
Special Revenue Funds	\$249,386
Economic Dev/Downtown Fund	\$1,776,010
Public Art	(\$6,500)
Development Fees:	
Law Enforcement	\$197,427
Fire & Emergency	\$38,793
Streets	\$22,764
Parks & Recreation	(\$4,739)
Open Space	\$1,644,024
Library/Museum	\$40,626
General Government	\$519,544
Debt Service	\$2,475,069
Capital Projects	\$9,729,966
Rainy Day Fund	\$1,345,200
Vehicle Replacement Fund	\$654,550
Total	\$24,454,941